



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-9000

GOVERNMENT NATIONAL
MORTGAGE ASSOCIATION

May 23, 2003

03-13

MEMORANDUM FOR: All Participants in Ginnie Mae Programs

FROM: George S. Anderson, Executive Vice President

SUBJECT: Release of GinnieNET, Version 5.8 and Other Modifications

As previously announced in All Participants Memoranda 03-02, dated January 10, 2003, and 03-08, dated April 2, 2003, Ginnie Mae is implementing changes to its Ginnie Mae II program. This announcement releases GinnieNET, Version 5.8 ("GinnieNET 5.8"), which accommodates new pooling requirements for all newly issued mortgage-backed securities under the Ginnie Mae II program. These requirements will apply to all Ginnie Mae II program securities issued with an issue date of July 1, 2003, and thereafter. Pooling requirements for securities backed by manufactured housing loans will not be affected by these changes. Also, GinnieNET 5.8 provides new functionality to facilitate processing requests to merge document custodian responsibilities, and the preparation of pool recertification requests.

Other modifications include submission of multiple disks when requesting a transfer of servicing rights involving more than one document custodian, and a change in the collection date for **all Ginnie Mae II program securities held in book-entry form**. Each of the above modifications is explained in greater detail below.

Please note that issuers and document custodians must use GinnieNET 5.8 software for all securities (both Ginnie Mae I and Ginnie Mae II programs) to be issued with an issuance date of July 1, 2003, and thereafter. GinnieNET 5.7 will not support the issuance of securities with an issuance date of July 1, 2003, and thereafter. Issuers and document custodians are strongly encouraged to upgrade to GinnieNET 5.8 upon receipt of the software, but not later than July 1, 2003.

With respect to the new pooling requirements, it is the issuer's responsibility to ensure that the minimum servicing fee for each Ginnie Mae II pool or loan package, excluding pools backed by manufactured housing loans, is at least 19 basis points. The Ginnie Mae guaranty fee of 6 basis points plus the minimum servicing fee of 19 basis points provides the minimum note rate/security rate spread of 25 basis points. For pools that meet Ginnie Mae's Targeted Lending Initiative requirements, the minimum servicing fee will be 20, 21, and 22 basis points, based on a reduced guaranty fee of 5, 4, and 3 basis points, respectively.

New Pooling Requirements for Affected Ginnie Mae II MBS Pools - GinnieNET 5.8

The spread of note rates eligible for securitization within a Ginnie Mae II pool or loan package will be reduced to a range of 25 to 75 basis points above the security rate.

For a limited time period as explained below, buydown loans in custom Single Family Level Payment pools can be more than 10% of the aggregate unpaid principal balance of the loans in the pool. During this time, GinnieNET will provide the issuer with a warning message, for informational purposes only, when the pool exceeds the 10% buydown threshold. However, with the next release of GinnieNET, Ginnie Mae will be adding a new custom pool type (Single Family Buydown pool). With the implementation of the new Single Family Buydown pool type, the buydown limitation on custom Single Family Level Payment pools will be limited to not more than 10% of the aggregate unpaid principal balance of the loans in the pool. With respect to custom Single Family Buydown pools, there will be no dollar limitation on the amount of buydown loans that can be placed in the new pool type.

Buydown loans in multiple-issuer pool types other than Adjustable Rate Mortgages cannot be greater than 10% of the aggregate unpaid principal balances of the loans in the multiple-issuer pool. Within a loan package, buydown loans may exceed 10% of the aggregate original principal balance of the loans in the loan package. However, when creating the multiple-issuer pool, if the Pool Processing Agent (“PPA”) determines that the pool contains more than 10% buydown loans, the PPA will determine which issuer has the highest percentage of buydown loans in its loan package. The loan package with the highest percentage of buydown loans will be deleted from the multiple-issuer pool. The recalculation and removal process will continue until the pool reaches the 10% threshold. Issuers whose loan package has been rejected will be contacted by the PPA and will have the option to redeliver the package as a custom pool later in the month.

Issuers whose loan package does not exceed the 10% buydown loan limit will not be subject to removal from the multiple-issuer pool. GinnieNET will display a warning message for all Ginnie Mae II multiple-issuer loan packages that contain buydown mortgages in excess of 10% of the total unpaid principal balance of the loans in the pool package. The warning will advise issuers that there is a possibility that their loan package may be removed from the pool. See Attachment 1 for a summary of the above requirements.

Document Custodian Mergers – GinnieNET 5.8

GinnieNET 5.8 supports new functionality for processing mergers of document custodians. Issuers have the option to either request a complete (all pools) document custodian merger or a partial (some of the pools) document custodian merger. A Ginnie Mae Account Executive must provide written approval of the merger before the request can be completed.

Recertification of Pools – GinnieNET 5.8

Issuers are now able to electronically import pool data into GinnieNET when preparing a pool recertification request.

Transfer of Servicing Rights – Other Modifications

When there is more than one document custodian involved in a request to transfer mortgage servicing rights, the issuer is required to prepare separate disks containing the pool information for each document custodian. To properly identify the information being submitted, the issuer is to provide both the name and Ginnie Mae document custodian identification number on the outside label of each disk.

Ginnie Mae II Program - Collection of Monthly Principal and Interest Payments for Securities Held in Depository Form – Other Modifications

On July 1, 2003, and thereafter, the Ginnie Mae Central Paying and Transfer Agent (“CPTA”) will collect, by ACH debit, principal and interest payments for all securities held in book-entry form from the issuer at or after 7:00 a.m. Eastern Time on the 20th calendar day of each month, or the next business day if the 20th calendar day of the month is not a business day.

The collection of monthly principal and interest payments due security holders for securities held in certificated form will not change. Also, the collection of Ginnie Mae II program guarantee fees does not change. Attachment 2 provides details on the collection of principal and interest and other fees on both the Ginnie Mae I and Ginnie Mae II programs.

Operating System Requirements

GinnieNET 5.8 can be operated in a Windows XP operating environment, in addition to Windows 95, Windows 98, Windows 2000, Windows NT 4.0, and Windows Millennium (ME) environments.

If you have any questions regarding GinnieNET 5.8 or the installation of the upgraded software, please contact the GinnieNET Hotline at 1-800-234-4662, Option 1. General questions should be directed to your Account Executive in the Office of Mortgage-Backed Securities, Single Family Division at (202) 708-1535, or Multifamily Division at (202) 708-2043.

Attachments

New Ginnie Mae II Pooling Requirements

POOL TYPE	SUFFIX	BUYDOWN LIMITATIONS	NEW SECURITY SPREAD
<i>Single Family Level Payment Mortgages</i>			
Custom Pool	C SF ¹	Warning message will be displayed if more than 10% of pool contains buydown loans	25-75 bps
Multiple-Issuer Loan Package	M SF	Loan package may be rejected if pool exceeds 10% buydown loans	25-75 bps
Multiple-Issuer Pool	M SF	No more than 10% of pool	25-75 bps
<i>Adjustable Rate Mortgages²</i>			
Custom Pool	C AR	Buydown loans are not permitted in the pool	25-75 bps
Multiple-Issuer Pool	M AR or AQ	Buydown loans are not permitted in the pool	25-75 bps
<i>Graduated Payment Mortgages³</i>			
Custom Pool	C GP or GT	Warning message will be displayed if more than 10% of pool contains buydown loans	25-75 bps
Multiple-Issuer Loan Package	M GP or GT	Loan package may be rejected if pool exceeds 10% buydown loans	25-75 bps
Multiple-Issuer Pool	M GP or GT	No more than 10% of pool	25-75 bps
<i>Growing Equity Mortgages⁴</i>			
Custom Pool	C GA or GD	Warning message will be displayed if more than 10% of pool contains buydown loans	25-75 bps
Multiple-Issuer Loan Package	M GA or GD	Loan package may be rejected if pool exceeds 10% buydown loans	25-75 bps
Multiple-Issuer Pool	M GA or GD	No more than 10% of pool	25-75 bps

¹ With future implementation of the custom buydown pool type, custom single family level payment pools will have a limitation of no more than 10.00% buydown loans in the pool.

² For Adjustable Rate Mortgage (“ARM”) loan packages with the suffix “M AR”, the interest adjustment date for the securities must occur from 13-15 months after the issue date. For ARM pools with the suffix “C AR”, the interest adjustment date for the securities must occur from 1-15 months after the issue date. For ARM pools with the suffix

“AQ”, the first interest adjustment date for the securities must occur exactly 12 months after the issue date, which must be either January 1, April 1, July 1, or October 1. **For all ARM pools/loan packages, the mortgage margins (gross margins) of all pooled loans must be 25 to 75 basis points greater than the security margin (net margin).**

³ The suffix “GP” identifies Graduated Payment Mortgage Pools where monthly payments increase annually for the first five years; “GT” identifies pools where monthly payments increase annually for the first ten years.

⁴ The suffix “GA” identifies Growing Equity Mortgage pools where monthly payments increase 4% annually over the life of the loans; “GD” identifies Growing Equity Mortgage pools where monthly payments increase annually at a rate and timeframe acceptable to FHA or VA.

Attachment 2

Collection of Principal and Interest and Other Fees on Ginnie Mae Securities

Ginnie Mae I Program	Ginnie Mae II Program
<p style="text-align: center;">Collection: Book-Entry Securities</p> <p>For securities held in book-entry form, the Ginnie Mae Depository (the Federal Reserve), will collect, by ACH debit, monthly principal and interest payments and multifamily prepayment penalties due security holders from the issuer at or after 7:00 a.m. Eastern Time on the 15th calendar day of each month, or the next business day if the 15th calendar day of the month is not a business day.</p> <p style="text-align: center;">Collection: Certificated Securities</p> <p>For securities held in certificated form, the issuer shall mail or wire (with permission from the security holder) monthly principal and interest payments and multifamily prepayment penalties due security holders, so that the payment is received no later than the 15th calendar day of the month, or if by wire, the next business day if the 15th calendar day of the month is not a business day.</p> <p style="text-align: center;">Collection: Guaranty Fees</p> <p>The Ginnie Mae Central Payment and Transfer Agent (“CPTA”) will collect, by ACH debit, all Ginnie Mae I program guaranty fees due Ginnie Mae from the issuer at or after 7:00 a.m. Eastern Time on the 10th calendar day of each month, or if the 10th calendar day is not a business day, on the first business day following the 10th calendar day of the month.</p>	<p style="text-align: center;">Collection: Book-Entry Securities</p> <p>Prior to July 1, 2003, the Ginnie Mae CPTA will collect, by ACH debit, monthly principal and interest payments for all securities held in book-entry form, from the issuer at or after 7:00 a.m. Eastern Time on the 19th calendar day of each month, or the 20th calendar day if the 19th calendar day of the month is not a business day. If the 20th calendar day of the month is not a business day, then the applicable date is the business day immediately preceding the 19th calendar day of the month. On July 1, 2003, and thereafter, the CPTA will collect, by ACH debit, principal and interest payments for all securities held in book-entry form, from the issuer at or after 7:00 a.m. Eastern Time on the 20th calendar day of each month, or the next business day if the 20th calendar day of the month is not a business day.</p> <p style="text-align: center;">Collection: Certificated Securities</p> <p>For all securities held in certificated form, the CPTA will collect, by ACH debit, monthly principal and interest payments from the issuer at or after 7:00 a.m. Eastern Time on the 19th calendar day of each month, or the 20th calendar day if the 19th calendar day of the month is not a business day. If the 20th calendar day of the month is not a business day, then the applicable date is the business day immediately preceding the 19th calendar day of the month.</p> <p style="text-align: center;">Collection: Guaranty Fees</p> <p>The CPTA will collect, by ACH debit, all Ginnie Mae II guaranty fees due Ginnie Mae from the issuer at or after 7:00 a.m. Eastern Time on the 19th calendar day of each month, or the 20th calendar day if the 19th calendar day of the month is not a business day. If the 20th calendar day of the month is not a business day, then the applicable date is the business day immediately preceding the 19th calendar day of the month.</p>